

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 913 - HB 1276**

March 24, 2015

**SUMMARY OF BILL:** Authorizes a deluxe theater that exhibits motion pictures to the public for a charge, has a full-service restaurant with at least 900 seats, and contains 9 auditoriums with seating for not less than 50 persons in each auditorium to sell alcoholic beverages for on-premises consumption.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$1,500/One-Time/ABC Fund  
\$6,000/Recurring/ABC Fund  
\$78,400/Recurring/General Fund**

**Increase Local Revenue – \$56,400/Recurring/Permissive**

**Assumptions:**

- Based on information provided by the Tennessee Alcoholic Beverage Commission (ABC), it is assumed that this bill will apply to five establishments.
- There is an initial application fee of \$300 and a \$1,200 annual fee payable to ABC, for a one-time increase in revenue to the ABC Fund of \$1,500 (\$300 x 5), and a recurring increase in revenue to ABC Fund of \$6,000 (\$1,200 x 5).
- No additional personnel or resources will be required by the ABC.
- It is assumed that the establishments will begin selling alcohol in FY15-16.
- Any increase in local privilege tax revenue is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the interquartile average of 2013 LBD tax returns generated by the Department of Revenue and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$110,000 per year.
- Absent any specific detail data on the size of these venues, an estimate of any additional revenue can only be reasonably generated by applying the average taxable base (\$110,000) for each of the five establishments, for a total of \$550,000.

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- The recurring increase in state revenue to the General Fund is estimated to be \$78,358  $[(\$550,000 \times 7.0\%) - (\$550,000 \times 7.0\% \times 3.617\%) + (\$550,000 \times 15.0\% \times 50.0\%)]$ .
- The recurring increase in local revenue is estimated to be \$56,392  $[(\$550,000 \times 2.5\%) + (\$550,000 \times 7.0\% \times 3.617\%) + (\$550,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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